

Minutes
Finance Committee Meeting
3:30p.m., February 24, 2015
First Floor-North Conference Room, City Hall

Present: Vice Mayor Marc Hunt (Chair), Councilman Gordon Smith,
Councilwoman Gwen Wisler

Approval of 10/28/2014 and 1/27/2015 Minutes

Minutes from the meetings on 10/28 and 1/27 were approved by the committee.

Cash Management Strategy

Ms. Barbara Whitehorn said that since 2012 staff has implemented strategies to take advantage of local options for certificate of deposits. Although they do not offer a high return, it allows the City to invest in local businesses. The banks that participate do business locally, but are not necessarily based here. This practice gives the City fifteen basis points more than if the money were held the bank. Staff asks for suspension of the program this year to keep as much cash as we can pending CIP funding. Ms. Pat Liguori said that once we have CIP funding confirmed in June we could start the program again. Ms. Whitehorn agreed to re-evaluate in June. Members of the committee supported the program suspension with re-evaluation in June.

Parks and Recreation Cost Study

Frank McGowan introduced Ms. Courtney Ramos from Matrix Consulting group to discuss cost of services study, results, and recommendations. (see attachment #1) Ms. Ramos said the goals were to ensure that current fees reflect services provided, to document current services, ensure cost recovery allocations comply with state and local laws, and develop recommendations for fee changes and/or subsidies. Matrix first gathered input from staff for time estimates for programs, current or projected participation levels, and current and projected revenue and expenses. We then analyzed gaps between costs and revenue and found that the department is recovering about thirty one percent of its total costs for fee-generating programs. Councilwoman Wisler asked how total costs were decided. Ms. Ramos said they used the City's cost allocation plan numbers, and based it on the direct costs of the programs. Typical cost recovery for Parks is twenty to forty percent, so this falls about in the middle. If you look at the entire department, cost recovery is about twenty one percent. The same average range is used (twenty to forty percent). Golf is not included because we do not get those fees. The maintenance we spend on golf would be considered part of the entire department costs.

Specialized programs generally have higher cost recovery, but Aston Park Tennis Center has lower cost recovery than most. Afterschool program cost recovery is high due to federal grants. Direct cost recovery is forty four percent, but Skate Park and youth athletics fall far below, and the Nature Center (which would be considered premium

service) only has fifty percent direct recovery cost. Vice Mayor Hunt said he feels we should be comparing our numbers to different normalizing ranges. Ms. Ramos said they can clarify that in the final report.

Overview: Athletics are at twenty five percent cost recovery, with an annual deficit of three hundred and eighty eight thousand dollars. Adult programs and fees are similar to others in the area. Youth programs are similar but fees are fifteen dollars lower than others in the area. Councilman Smith mentioned that the programs are popular and meeting capacity. Pools are at twenty four percent recovery, but that varies dramatically between pools. This is due in part, to differing participation because the fees are the same. Other jurisdictions have different fees according to the type of participant. After school programs are difficult to project revenue for because of so much subsidization and not tracking the numbers of who falls into what type of discount. Councilman Smith mentioned that some of those numbers may exist and Ms. Ramos said they would look for them. The Nature Center's largest revenue is admission fees, which falls below the national average for zoos and parks. Twenty six percent of attendees are non residents. Non-resident fees are eight dollars, so raising that fee to ten dollars would help. Skate park annual pass is the same as the weekend fee for a non resident. Tennis Center annual pass is well below the average of facilities with clay courts (\$160.00 vs. \$488.00). Annual passes are recovering about nineteen percent of the cost but are about ninety five percent of the total deficit. The majority of participants are annual pass holders.

Recommended fee adjustments

Areas of Opportunity:

Annual Passes at the Tennis Center and Skate Park: If tennis fees were increased by twenty dollars per month, it would generate fifty six thousand dollars in revenue – a sixty six percent increase. Other annual pass increases would add to cost recovery.

General admission at Nature Center: If we increased adults to ten dollars and children to eight dollars (still under the national average) that could generate one hundred and seventy three thousand dollars in revenue. The Friends of the Nature Center members get free admission, and the City does not get any cash from that. Other general admission increases would add to cost recovery.

Parks has an existing pricing pyramid cost recovery method. The recommendation is to utilize pricing pyramid and identify where on the pyramid each service should fall. Develop cost recovery targets such as annual fee updates by percentage (CPI or COLA).

Councilman Smith said that fee increases could track directly with cost increases. Councilwoman Wisler asked if resident and non-resident fees are similar in other cities. Ms. Ramos said different cities have different philosophies. Some cities feel they should not subsidize non-residents. Councilwoman Wisler asked how much it costs Asheville to run programs compared to other jurisdictions. Ms. Ramos does not feel that Asheville Parks and Recreation is spending outside of the norm. Ms. Ramos said she will put together cost proposal forms to help departments understand full costs and see what a thirty percent cost recovery looks like.

Frank McGowan said the cost of services study was running concurrently with the discussion on Aston Park Tennis Center. (see attachment 2) Two fee proposals were shared with the community last year (three and four year step-up pricing proposal). Daily court fees are in line with full cost recovery, so that increase was removed, along with family member and senior non-resident and definition of senior age. Councilwoman Wisler asked if the price for senior to non-senior will double the cost. Mr. McGowan believes a drop off of annual passes of about thirty percent for a three year model, and a bit less for four year model, It really depends on how aggressively Council wants to move. Councilman Smith and Councilwoman Wisler said they prefer the three year; Vice Mayor Hunt said he is fine with that. This item will move forward to the next Council meeting.

Councilman Smith would like to know the total numbers of summer camp users. Discussion ensued about supporting use of the pyramid methodology. Councilman Smith asked if there is an advantage to having “city resident”, “county resident”, and “other category”. Councilwoman Wisler agreed. Vice Mayor Hunt said he appreciates the report. We addressed the golf issue, and not subsidizing the Azalea Soccer Program because it is run by a nonprofit. Our other programs aren’t there yet. Vice Mayor Hunt suggested that staff come back with data to show how to get more balance. Mr. Jackson said that Matrix Consulting has helped us move toward a philosophy of cost recovery. This will help us make wholesale changes and provide a framework that can be tied to cost recovery. We will look at resident fees vs. non-resident fees and with that we can go to the Parks and Recreation Advisory Board with suggestions. It is helpful to make these changes across the board. Mr. Roderick Simmons said we were looking for a game plan for what programs should and should not be subsidized based on what outcomes we want. Each year when we go through the fees and charges process we will have the data

to make clear decisions. Vice Mayor Hunt asked if a draft would be ready to go to the finance committee in November for the proposed fees for the following year. Mr. Simmons said yes, with the exception of Aston Park.

Vice Mayor Hunt said he'd like us to reconsider the Friends of the Nature Center program and any significant change to the fee structure of the Nature Center. The Friends board knows that the deal is a vague commitment to capital improvements for a pass on admission fees. We need to make them understand that additional attendance creates additional cost, and perhaps make the operating obligation clearer.

Councilman Smith said that the Nature Center does not rise to the top of what we need to spend money on. Vice Mayor Hunt said this is a viable regional educational asset, and so important that it does not go away. There is no alternative in the area. The answer needs to be partnership, perhaps with County government. Councilwoman Wisler disagreed and said this is not the highest priority for the City. Mr. Jackson suggested that the philosophy is "to what extent should the Asheville taxpayers pay for a regional asset that benefits beyond City limits?" Vice Mayor Hunt said that next month we will have a separate agenda item for the Nature Center.

The Chair adjourned the meeting at 4:44p.